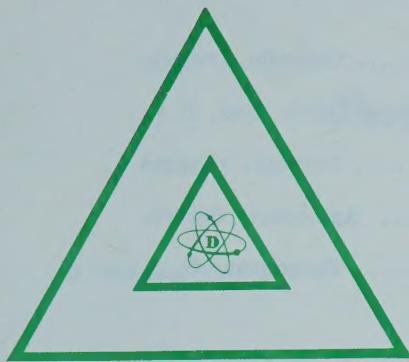


AR44



J.R.B.

DELTA
ELECTRONICS LIMITED

ANNUAL REPORT APRIL 1967



70 RONSON DRIVE • REXDALE • ONTARIO

DELTA ELECTRONICS LIMITED

DIRECTORS

SYDNEY W. WELLUM Oakville, Ontario
R. G. SHEARS Seven Oaks, Kent, U.K.
J. P. MANLEY, Q.C. Toronto, Ontario
R. E. G. WILSON, B. Com., C.A. Agincourt, Ontario
MURRAY PEZIM Vancouver, B. C.

OFFICERS

SYDNEY W. WELLUM President
R. G. SHEARS Vice-President
R. E. G. WILSON Secretary-Treasurer

TRANSFER AGENTS

Guaranty Trust Co. - Toronto
Yorkshire & Canadian Trust, Limited - Vancouver

AUDITORS

Riddell, Stead, Graham & Hutchison
48 Yonge Street
Toronto 1, Ontario

EXECUTIVE OFFICES & PLANT

70 Ronson Drive
Rexdale, Ontario

SUBSIDIARY COMPANIES

U.S.A. - Kenmore Electronics Inc., 40 Comet Avenue, Buffalo, N.Y.
U. K. - K. W. Electronics Limited, 1 Heath Street, Dartford, Kent

DELTA ELECTRONICS LIMITED

President's Report

TO THE SHAREHOLDERS



This is the tenth consecutive annual report of your company and once again I have the pleasure of advising you of yet another successful year in its history.

Total consolidated sales of the company and its two subsidiaries reached \$1,764,452, an increase of more than 25% over the previous year, with a net profit after taxes of \$130,966 being a gain of 30% over last year's figure. That these results were achieved during a period of slower pace in the general economy and in a highly competitive market, speaks well for the soundness of your management's concept of a broader base of operation and the continued development of new products.

In this connection I should like to mention that Delta has recently signed a licensing agreement with Ameco Inc. of Arizona, U.S.A., one of the leading manufacturers of closed circuit equipment for community antenna television distribution. Under the agreement, your company will manufacture and distribute Ameco products in Canada and the U.K. and Ameco, in turn, will sell Delta equipment in the U.S.A.

A further step in your company's expansion to be taken this year will be the manufacture of Delta - engineered products by our wholly-owned subsidiary in Great Britain, K.W. Electronics Limited. Delta, in turn, will market the highly successful British line of single side band communications equipment in Canada and the U.S.A.

On the strength of a ten year record, your directors wish to share with you their belief in the continuing growth and prosperity of your company. Our confidence in this respect is based to a large degree on the loyalty and co-operation of all our employees, whose efforts contribute greatly to your company's success.

On behalf of the Board,

SYDNEY W. WELLUM
President

July 17, 1967.

DELTA ELECT

(Incorporated under Th C

Assets

	<u>1967</u>	<u>1966</u>
CURRENT ASSETS		
Cash	\$ 120, 218	27, 145
Short term investments, at cost and approximate market value	74, 805	50, 200
Accounts receivable	324, 889	285, 988
Inventories - at cost	421, 878	419, 614
Advances and prepaid expenses	6, 158	2, 208
Investment in non-consolidated subsidiary, at cost (Note 1)	<u>45, 543</u>	-
	<u>993, 491</u>	<u>785, 155</u>
FIXED ASSETS (Note 2)		
Plant and equipment	332, 186	305, 517
Accumulated depreciation	<u>83, 066</u>	<u>57, 815</u>
	<u>249, 120</u>	<u>247, 702</u>
OTHER ASSETS		
Value of leases less amortization (Note 3)	10, 584	11, 292
Unamortized financing costs	5, 461	11, 047
Goodwill, trademarks and incorporation expenses	-	14, 354
Deferred research and development costs	-	14, 523
	<u>16, 045</u>	<u>51, 216</u>
EXCESS OF COST OF SHARES IN WHOLLY-OWNED SUBSIDIARY OVER THE NET BOOK VALUE THEREOF LESS AMORTIZATION (Note 4)	92, 035	101, 411
Signed on behalf of the Board:		
S. W. WELLUM, Director		
R. E. G. WILSON, Director		
	<u>\$ 1, 350, 691</u>	<u>1, 185, 484</u>

To The Shareholders
Delta Electronics Limited

Audit

We have examined the accompanying consolidated financial statement comprising the consolidated balance sheet as at that date and the consolidated statement of earnings for the year then ended. Our examination of the financial statements of Delta Electronics Limited has included a general review of the accounting procedures and such tests of account as we considered necessary under the circumstances. We have relied on the report of the auditors who have examined the financial statements.

In our opinion the aforementioned statements present fairly the financial position of the company and the source and application of funds for the year then ended and are consistent with that of the preceding year.

Toronto, Canada.
May 24, 1967.

ONICS LIMITED

porations Act of Ontario)

HEET AS AT APRIL 30, 1967

Liabilities

	<u>1967</u>	<u>1966</u>
CURRENT LIABILITIES		
Bank indebtedness	\$ -	49,245
Accounts, payable and accrued	178,840	192,418
Income and other taxes	144,440	41,207
Current maturity on long-term debt	972	1,000
	<u>324,252</u>	<u>283,870</u>
LONG-TERM DEBT		
6% Mortgage payable, due in equal quarterly principal instalments plus interest to 1985, less current maturity	17,496	18,305
6% Convertible debentures, Series "A" due June 1, 1975 (Note 5)	<u>297,000</u>	<u>300,000</u>
	<u>314,496</u>	<u>318,305</u>
DEFERRED INCOME TAXES	<u>21,850</u>	<u>31,550</u>

Shareholders Equity

CAPITAL STOCK (Note 5)

Authorized		
880 5% non-cumulative, non-voting, redeemable (at \$11) preference shares with a par value of \$10 each		
1,000,000 common shares of no par value		
Issued		
318,373 common shares	217,513	195,791

EXCESS OF APPRAISED VALUE OF FIXED ASSETS

OVER COST, LESS AMOUNTS TRANSFERRED TO RETAINED EARNINGS	26,651	31,093
--	--------	--------

RETAINED EARNINGS (Note 6)

.....	445,929	324,875
	<u>690,093</u>	<u>551,759</u>
	<u>\$ 1,350,691</u>	<u>1,185,484</u>

Report

Delta Electronics Limited and subsidiaries for the year ended April 30, 1967 statements of income and retained earnings and source and application of funds electronics Limited and the subsidiary of which we are the auditors included a records and other supporting evidence as we considered necessary in the financial statement of the other subsidiary.

al position of the companies as at April 30, 1967 and the results of their accordance with generally accepted accounting principles applied on a basis

DELTA ELECTRONICS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED APRIL 30, 1967

	<u>1967</u>	<u>1966</u>
SALES	\$ 1,764,452	1,406,092
Cost of sales (Note 7)	<u>1,186,934</u>	<u>952,755</u>
GROSS PROFIT	577,518	453,337
Operating expenses (Note 7)	<u>305,905</u>	<u>294,906</u>
OPERATING INCOME	<u>271,613</u>	<u>158,431</u>
Other expense		
Amortization of investment in subsidiary (Note 4)	9,376	-
Amortization of financing costs	5,587	5,524
Directors' fees	250	3,250
Interest on long-term debt	19,053	16,206
Other (net)	<u>1,467</u>	<u>5,967</u>
	<u>35,733</u>	<u>30,947</u>
INCOME BEFORE TAXES	<u>235,880</u>	<u>127,484</u>
Provision for income taxes		
Current	114,614	32,623
Deferred	<u>(9,700)</u>	<u>12,700</u>
	<u>104,914</u>	<u>45,323</u>
	130,966	82,161
Non-Recurring Income	-	18,450
NET INCOME	130,966	100,611
Retained earnings at beginning of year	324,875	222,927
Transfer from excess of appraised value of fixed assets over cost	4,442	4,697
	<u>460,283</u>	<u>328,235</u>
Write-off of goodwill, trademarks and incorporation expenses	14,354	-
Expenses applicable to prior years	<u>-</u>	<u>3,360</u>
RETAINED EARNINGS AT END OF YEAR	\$ 445,929	324,875

DELTA ELECTRONICS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED APRIL 30, 1967

	<u>1967</u>	<u>1966</u>
SOURCE OF FUNDS		
From operations		
Net income	\$ 130, 966	100, 611
Charges to income not requiring the outlay of cash		
Depreciation	27, 929	23, 473
Amortization of other assets	20, 817	7, 920
Deferred income taxes	(9, 700)	12, 700
Amortization of investment in subsidiary	9, 376	-
Loss (profit) on disposal of fixed assets	<u>(1, 546)</u>	<u>1, 138</u>
	177, 842	145, 842
Issue of common shares	21, 722	3, 000
Increase (decrease) in long-term debt	<u>(3, 809)</u>	<u>318, 305</u>
	<u>195, 755</u>	<u>467, 147</u>
APPLICATION OF FUNDS		
Fixed assets		
Normal operating additions - net	27, 801	69, 787
Net book value of fixed and other assets of subsidiary at date of acquisition of shares	-	123, 697
Excess of cost of shares of subsidiary over net book value thereof	-	101, 411
Additions to other assets	-	16, 595
Expenses applicable to prior years	-	3, 360
	<u>27, 801</u>	<u>314, 850</u>
INCREASE IN WORKING CAPITAL	167, 954	152, 297
Working capital at beginning of year	<u>501, 285</u>	<u>348, 988</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 669, 239</u>	<u>501, 285</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 1967

1. BASIS OF CONSOLIDATION

- (a) Current assets and current liabilities of wholly-owned foreign subsidiaries have been converted into Canadian dollars at approximate rates of exchange in effect at April 30, 1967. Other assets and liabilities of these subsidiaries have been converted substantially at rates of exchange in effect at the dates on which the assets were acquired or the liabilities incurred.
- (b) The other subsidiary has not been consolidated because:
 - (1) The parent company has commenced negotiations to dispose of its interest in this subsidiary.
 - (2) The subsidiary is in the process of acquiring its plant and equipment and has not yet commenced operations.

2. FIXED ASSETS

The fixed assets are valued as follows:

- (a) Parent company - based on values determined by Cooper Appraisals Limited as at April 28, 1962, with subsequent additions at cost less retirements.
- (b) U. S. subsidiary - at cost.
- (c) U. K. subsidiary - based on values determined by the Directors as at April 30, 1965 with subsequent additions at cost less retirements.

3. LONG-TERM LEASES

The parent company is lessee under a lease on the building in which it operates providing for an annual rental of \$20,000 to 1983 and for payment of taxes and maintenance expenses.

The value of leases on buildings occupied by the U. K. subsidiary was determined by the Directors as at January 31, 1965 and is being amortized over the term of these leases. These leases provide for an annual rental of \$1,620 to 1980 and an average annual rental of \$1,222 to 1984 and for payment of taxes and maintenance expenses.

4. EXCESS OF COST OF SHARES IN WHOLLY-OWNED SUBSIDIARY
OVER THE NET BOOK VALUE THEREOF

This amount is being amortized in 1967 and subsequent years by a charge against income equivalent to earnings of the subsidiary in excess of a base return on investment in such subsidiary.

5. CAPITAL STOCK

- (a) During the year, 12,698 common shares were issued as follows:
 - (1) 10,700 shares for a cash consideration of \$18,725 under the parent company's Employees' Stock Incentive Option Plan.
 - (2) 1,998 shares on conversion of \$3,000 Series "A" debentures.
- (b) 198,000 common shares are reserved for possible conversion of the Series "A" debentures to June 1, 1967.

6. DIVIDEND RESTRICTION

Approximately \$149,000 of consolidated retained earnings represents profits of subsidiaries which have not been remitted to Canada. Transfers of earnings from one of the subsidiary companies are subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable. Dividend payments from the subsidiary companies are subject to foreign withholding taxes. As the amount of earnings which may be remitted in the future and the withholding taxes which will be applicable thereto are not known, such taxes will be reflected in consolidated income only at the time of actual dividend remittance to the parent company.

7. DEPRECIATION

Cost of sales and operating expenses include depreciation charges of \$27,929. Depreciation has been provided in the accounts at the following rates:

Equipment	- 10%	Automotive equipment	- 20%
Tools and dies	- 25%	Buildings & Leasehold improvements	- 5%

8. REMUNERATION OF DIRECTORS

The aggregate direct remuneration paid or payable by the company and its subsidiaries to directors and senior officers of the company for the year was \$82,835.